Tit For Tat – Is Customer Retaliation in a Service Recovery Context Predictable?
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Customer retaliation to service failure can have detrimental consequences for companies (e.g. revenue losses). Nevertheless in the extant literature on retaliatory behavior there exists no study which can predict customer retaliation after a failed service recovery. In this paper we attempt to close this research gap by introducing and testing the concept of negative reciprocity to predict any kind of retaliatory intentions. Furthermore we test the ability of different service recovery strategies to reduce retaliatory intentions. The results of our scenario-based online experiment (n=381) show that the negative reciprocity can be used as an early warning system to predict customer retaliation.

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EXTENDED ABSTRACT

Companies have to deal day-to-day with angry customers whose retaliatory actions can severely damage the companies’ image resulting in possible revenue losses or a deterioration of the stock price (Fullerton and Punj 1997; Luo 2006; Tax and Brown 1998).

However the extant literature on retaliatory behaviour is still in its infancy. To begin with researchers have not yet addressed the following two issues:

First, a unifying concept which can predict different kinds of retaliatory behaviours has not been established yet. As a result of the various concepts for retaliation (e.g. Grégoire and Fisher 2008) the presence of contradictory study results is not surprising (Grégoire, Tripp and Legoux 2009). To close this research gap we introduce and test the concept of negative reciprocity and its ability to predict different kinds of retaliatory actions.

Second, we did not find empirical papers which focus on service recovery strategies (recompense by the company in response to a service failure) to reduce customers’ retaliatory behavior. As companies are constantly looking for strategies to avoid customers’ retaliatory behaviour we test the effectiveness of different service recovery strategies to reduce customer retaliation.

Drawing on social psychology we argue that a person’s motivation for any kind of retaliation is the innate need to get even. In other words if a person feels mistreated she/he wants to pay back in kind (Eisenberger et al. 2004). The principle of negative reciprocity fits exactly this line of reasoning stating that within an interaction between individuals, effort and reward need to be balanced (Eisenberger et al. 2004). The consequence of a negative imbalance is that a person retaliates upon the offender to re-establish her/his self-esteem (Carlsmith 2006).

Therefore we define negative reciprocity in the marketing context as the intention of the customer to retaliate by punishing the company in order to re-establish her/his self-esteem.

We conducted a scenario-based online experiment (n=381) to test the ability of negative reciprocity to predict retaliatory behaviour as well as to measure the effectiveness of different service recovery strategies to reduce customer retaliation. Using structural equation modelling with PLS we test the ability of negative reciprocity to predict retaliatory behaviour. The application of structural equation model is valid as none of the constructs used in the PLS model is subjected to a scenario manipulation (Vinzi et al 2010). For generalizability reasons we make sure that the three retaliatory actions to test the predictive power of the negative reciprocity represent different kinds of retaliatory behaviour. Drawing on the complaining literature we choose negative word-of-mouth, vindictive complaining and third party complaining (Grégoire and Fisher 2008) as retaliatory actions. Negative word-of-mouth is a private response and thus not directly addressed to the company but to family and friends. The second tested retaliatory action is called vindictive complaining and is directly addressed to the service personnel and is classified as a voice response. Eventually third party complaining is an indirect form of retaliatory behavior which is reported to a third party (e.g. a consumer agency) and is therefore called third party response (Singh 1988).

Our result show strong positive relationships between the negative reciprocity construct and negative word-of-mouth, vindictive complaining and third party complaining. Therefore the negative reciprocity can indeed be used to predict the tested retaliatory actions. This result shows that the negative reciprocity construct can capture “weak signals” which indicate possible retaliatory behavior (Ansoff 1976). Thus in the event of a service failure companies could use such an early warning system to quickly perform a service recovery and help the customer. Such a quick response will boost the customer’s satisfaction, sometimes even to a higher level than before the service failure happend (Hocutt, Bowers and Donavan 2006; Magnini et al. 2007).

To test our second contribution on the effectiveness of different service recovery strategies to reduce customer retaliatory intentions we applied ANOVAs. The different service recovery strategies are represented, as it is common in service recovery literature, by varying levels of distributive, procedural and interactional justice (del Río-Lanza et al 2009). Distributive justice is present when the customer perceives the outcome of the service recovery as fair (Maxham/Netemeyer 2002). For example a voucher which entitles the customer to get a price reduction is a service recovery strategy resulting in high distributive justice (McCollough et al. 2000). Moreover procedural justice describes if the service recovery strategy is an efficient process, e.g. a quick compensation of the customer heightens procedural justice (Hocutt et al 2006). Finally interactional justice captures how the service employees deal with the customer. If service employees interact fairly with the customer and provide some explanation for the service failure a higher interactional justice can be achieved (Henning-Thurau 2004). Our results of the ANOVAs show that most notably recovery strategies which are high on distributive (e.g. through vouchers, gift) and interactional justice (e.g. through friendly service personnel) are effective to reduce customer’s retaliatory intentions. However a fast recovery process does not heavily influence customer’s retaliatory intentions indicating that customers are obviously used to wait in the event of a service recovery. Furthermore we found a 3-way interaction of distributive, procedural and interaction justice on negative reciprocity. This result shows that there exist several trade-offs between the different service recovery strategies which need to be kept in mind when attempting to reduce customer’s retaliatory intentions.

Overall our results confirm the ability of the negative reciprocity construct to predict customers’ retaliatory behavior within a service recovery context and thus to act as an early warning system. Moreover the paper gives companies hints what kind of service recovery strategies they should use to effectively reduce customers’ retaliatory intentions.

REFERENCES


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